

PUBLIC DISCLOSURE

July 14, 1997

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

CITIZENS BANK AND TRUST COMPANY OF ARDMORE
255556
10-40-0157

P.O. BOX 1689
ARDMORE, OKLAHOMA 73402

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Citizens Bank and Trust Company of Ardmore prepared by Federal Reserve Bank of Kansas City, the institution's supervisory agency, as of July 14, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

INSTITUTION'S CRA RATING: *This institution is rated **Satisfactory**.*

The bank has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods or households, in a manner consistent with its resources and capabilities. The bank's loan-to-deposit ratio is higher than other banks in the surrounding area and exceeds the standards for a satisfactory rating, given the institution's size, financial condition, and assessment area credit needs. In addition, a majority of the bank's loans are within its assessment area. The geographic distribution of loans and the distribution among borrowers reflect a reasonable dispersion throughout the assessment area.

DESCRIPTION OF INSTITUTION

Citizens Bank and Trust Company of Ardmore is located in Ardmore, Oklahoma, on Interstate 35 approximately 100 miles south of Oklahoma City and 100 miles north of Dallas, Texas. The bank's main office is located at 1100 North Commerce, with full-service branch offices inside Wal-Mart at 1715 North Commerce, and at the junction of Highway 199 and Highway 177 in Dickson. The bank also has a branch office downtown at 10 West Main that offers all services except loans. All the offices are readily accessible to the community, especially the branch office inside Wal-Mart which is open seven days a week. The branch office in Dickson is approximately 15 miles east of Ardmore. The bank's CRA performance was last reviewed as of November 13, 1995, when a CRA rating of outstanding was assigned.

The bank has the ability to meet the credit needs of its assessment area based on its financial condition, size, and credit products. According to the bank's March 31, 1997 Consolidated Reports of Condition and Income (Call Report), the bank's assets totaled \$98,664M, of which loans comprised \$58,123 or 59 percent. Although the bank offers a variety of loan products to meet community credit needs, the bank is primarily a consumer and commercial lender, as shown in Table 1.

Table 1 CITIZENS BANK & TRUST COMPANY'S LOAN PORTFOLIO (As of 03-31-97)		
Loan Type	Amount (\$000)	Percent of Total
Consumer	20,276	35
Commercial	17,956	31
Multiple and 1- to 4-family real estate	16,608	29
Farmland or agricultural	1,843	3
Other	1,440	2
TOTAL	58,123	100

DESCRIPTION OF BANK'S ASSESSMENT AREA

Citizens Bank and Trust Company's assessment area is located in south-central Oklahoma. It is comprised of six BNAs in the southeast corner of Carter County. One BNA is moderate-income, two are middle-income, and three are upper-income. Ardmore is divided into four quadrants that are separated by Washington and Broadway Street. The moderate-income BNA encompasses much of the northeast and southeast quadrants of the city. The downtown branch is in the northeast quadrant and helps service the needs

of the residents in that area. Based on 1990 census data, 21 percent of the assessment area population live in the moderate-income BNA, 21 percent live in the middle-income BNAs, and 59 percent live in the upper-income BNAs. The median family income for the area is \$26,322, which is slightly higher than the median income of \$24,139 in statewide rural areas. The proportion of low- or moderate-income families in the assessment area at 36 percent is comparable to rural statewide areas at 39 percent. In addition, the ratio of families below the poverty level in the assessment area at 17 percent is comparable to Oklahoma rural areas at 16 percent.

As of the 1990 census, Ardmore's population was 23,079. The population of the bank's assessment area was 26,398, and the population of Carter County was 42,919. A recent market study conducted for the Ardmore Chamber of Commerce by a Dallas consulting firm stated the 1996 population of Ardmore and Carter County to be 30,922 and 44,186, respectively. This represents an annual growth rate of approximately five percent for the city, compared to .5 percent for the county. However, the study projected Ardmore's growth will slow to match the county's growth for the next few years. The study was funded by the Ardmore Chamber of Commerce to survey the city's rental housing needs in order to determine if the city should support a proposed affordable housing apartment complex. Results of the market study indicated a need for additional affordable housing units. Contacts with a city government representative and a community development leader agreed that additional affordable housing would be beneficial to the community. However, a recent survey by a rental property owners association reported a surplus of rental housing in Ardmore.

According to the 1990 census, the bank's assessment area had a vacancy rate of 13 percent, lower than the 17 percent vacancy rate for rural areas of Oklahoma. Housing affordability for the assessment area is also comparable with that noted for Oklahoma rural areas. In addition, as reported in the 1990 census, the median housing value for the assessment area is \$40,779, compared to \$36,373 for rural Oklahoma.

At seven percent, unemployment reported in 1990 for the bank's assessment area was lower than in other rural areas in Oklahoma at eight percent and consistent with the state at seven percent. Three of the 14 largest employers in Ardmore are new to the area. According to the Ardmore Development Authority, new and expanded businesses have created 2,155 new jobs in the area within the last five years. The five largest employers in Ardmore are: Michelin North America (formerly Uniroyal); Mercy Memorial Hospital; Ardmore School District; Dollar General Distribution Center; and Wal-Mart Supercenter. The Ardmore Development Authority reports continuing growth in the area's three industrial parks: Westport, New Horizons, and the Airpark.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Several factors were considered in evaluating the bank's CRA performance. These factors

include: a review of the bank's level of lending in relation to its deposits and that of other comparable financial institutions; the bank's record of lending to borrowers of different income levels and to businesses of different sizes; the distribution of loan originations within the bank's assessment area; and the penetration of loan originations inside and outside the bank's defined assessment area. In addition, a city government official and community development leader were interviewed to gather insight into credit needs of the community and their perceptions of the bank's ability to meet those needs. The bank has not received any complaints relative to its performance under the CRA since the last examination. Therefore, this factor was not included in the analysis.

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio exceeds standards for satisfactory performance based on the institution's size, financial condition, and credit needs of the assessment area. Citizens Bank and Trust Company's ratio averaged almost 76 percent for the six quarters since the prior examination and was significantly higher than other area institutions. The average loan-to-deposit ratio for banks in the area ranged from 25 percent to 69 percent. The bank's national peer group averaged 69 percent over the same time period. The bank's peer group consists of insured commercial banks having assets between \$50MM and \$100MM with three or more banking offices and located in a nonmetropolitan area.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The bank's distribution of motor vehicle loans among individuals of different income levels and loans to businesses of different sizes is reasonable given the demographics of the assessment area. Of the 36 motor vehicle loans within the assessment area, 11 percent were to low-income borrowers; 28 percent were to moderate-income borrowers; 22 percent were to middle-income borrowers; and 39 percent were to upper-income borrowers. The percentages of low-, moderate-, middle-, and upper-income families in the assessment area are 21, 15, 18, and 46 percent, respectively. Review of the 29 business loans within the assessment area revealed 21 loans or 72 percent were for loan amounts of \$100M or less. Credit decisions for 18 of the 29 business loans were based on business revenue and 10 were based on borrower income. Seventeen of the revenue-based loans or 94 percent were made to small businesses. Of the nine income-based loans, two loans or 22 percent were made to low- and moderate-income borrowers.

The bank also makes a large number of small consumer loans that often benefit lower income individuals. The bank has originated 231 loans for less than \$1M which total \$148.6M since the last examination. In addition, the bank originates loans under various government-insured programs to help meet the credit needs of individuals in the assessment area. Since the previous examination, it has originated one Farmers Home Administration loan for \$136M; one Small Business Administration loan for \$140M; one Student Loan for \$5.5M; and three Beginning Farmers loans totaling \$221.6M. The

Beginning Farmers Program of the Oklahoma Department of Agriculture and Oklahoma Development Finance Authority allows loans to be offered to farmers at a reduced rate because of tax benefits that are associated with the program. Bank management has also pledged \$100M of low-interest loans for the Ardmore Main Street Authority Program, although no loans have been originated since the previous examination. This program facilitates the renovation of facades and interiors of the businesses located in downtown Ardmore.

Geographic Distribution of Loans

A review of the geographic distribution of sampled loans originated by the bank reflects a satisfactory dispersion throughout the assessment area. Percentages of loans by product type and BNA income level are summarized in Table 2. Based on the loan sample reviewed, the percentage of loans made in the various income-level BNAs closely parallels the demographics of the area.

Table 2 PERCENTAGE OF LOANS REVIEWED BY INCOME LEVEL OF BLOCK NUMBERING AREA				
Area Median Family Income		\$26,322		
Income Level of Block Numbering Area	Percent of Business Loans Reviewed	Percent of Motor Vehicle Loans Reviewed	Percent of Combined Loans Reviewed	Percent of Assessment Area Population
Moderate (50 to 80 percent of median income)	14	33	25	20
Middle (80 to 120 percent of median income)	31	8	18	21
Upper (Greater than 120 percent of median income)	55	59	57	59
Total	100	100	100	100

Lending in Assessment Area

Based on a sample of loans reviewed during the examination, a majority of the bank's lending occurs within its assessment area. Two loan products, motor vehicle and small business loans, were reviewed in this analysis. The percentage of each loan product originated within the assessment area varies and is summarized in Table 3. Further analysis revealed that one-half of the sampled loans outside the assessment area are in the two BNAs adjoining the assessment area to the north and west.

Table 3 LOANS WITHIN THE BANK'S ASSESSMENT AREA		
Loan Type	Percentage of Total Loans	Percentage of Dollar Volume
Motor Vehicle	54	53
Small Business	76	76
Total Loans	62	73

No substantive violations of the antidiscrimination laws and regulations were identified. A review of bank lending policies, credit applications, loan documentation, and loan officer interview procedures with loan applicants revealed no prohibited practices designed to discourage applicants. Although technical concerns related to Regulation B were identified during the examination, none of the concerns were discriminatory in nature. Management stated that additional training would be provided to ensure future compliance.